

Message Text

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ACTION NEA-11

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TO USDOC WASHDC
INFO AMEMBASSY ATHENS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CAIRO
AMEMBASSY LONDON
AMEMBASSY PARIS
SECSTATE WASHDC 937

UNCLAS SECTION 1 OF 2 TUNIS 3149

ATHENS FOR RTDO, DEPT EXIM

E.O.11652: NA
TAGS: BENC ENRG TS
SUBJ: MAJOR PROJECTS IN TUNISIA: MISKAR OFFSHORE NATURAL
GAS PROJECT: STATUS REPORT

REF: TUNIS 2168, TUNIS 1338

1. (SUMMARY) GIVEN CURRENT TUNISIAN GOVERNMENT REASSESSMENT
OF PRIORITY TO BE ASSIGNED TO MISKAR GAS PRO-
JECT, EMBASSY HAS CONSIDERED ISSUE OF CONTINUED PRO-
MOTION OF WHAT WE HAVE VIEWED AS BEING MOST ATTRACTIVE
OPPORTUNITIES FOR SALE OF U.S. EQUIPMENT AND SERVICES
IN CONTECT OF FIFTH TUNISIAN DEVELOPMENT PLAN. AFTER
TALKS WITH GOT OFFICILAS AND REPRESENTATIVES OF SEVERLA
INTERESTED U.S. FIRMS, WE CONCLUDE THAT BEST COURSE OF
ACTION FOR BOTH USDOC AND U.S. FIRMS IS TO PROCEED ON
ASSUMPTION THAT MISKAR WILL BE IMPLEMENTED. EMBASSY
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WILL BE ALERT TO REPORT ANY CLEAR CONTRARY OR POSITIVE
SIGNALS. (END SUMMARY)

2. AS USDOC AWARE, MISKAR STUDY GROUP HAS ALREADY
ISSUED NUMBER OF CALLS FORTENDER ON OFFSHORE NATURAL
GAS PROJECT, TOTAL COST OF WHICH ESTIMATED AT \$500 MILL-
ION WITH OVER \$400 MILLION CONSISTING OF IMPORTED

GOODS AND SERVICES. HOWEVER, WITH NEGOTIATIONS UNDERWAY BETWEEN TUNISIAN GOVERNMENT AND SOHATRACH FOR MAJOR PURCHASE OF GAS TO BE DELIVERED BY ALGERIA-TO -ITALY PIPELINE (AT CURRENT COSTS WELL BELOW THOSE PROJECTED FOR MISKAR), DEBATE HAS BEEN RENEWED WITHIN GOT ON WHETHER OR NOT IS NECESSARY TO PROCEED WITH EXPENSIVE PROJECT WHICH WILL DIRECTLY CREATE FEW NEW JOBS. WITH DIMINISHED WEIGHT BEING GIVEN TO POLITICAL ARGUMENTS ASSERTING NEED FOR DOMESTIC ENERGY SOURCING, SEVERAL INFLUENTIAL GOT ENERGY OFFICIALS ARE FRANK TO SAY THEY BELIEVE IMPLEMENTATION OF MISKAR SHOULD BE DELAYED FOR FIVE OR MORE YEARS, DURING WHICH ADDITIONAL ENERGY REQUIREMENTS COULD BE MET BY ALGERIAN GAS.

3. CONTRARY POINT OF VIEW EXPRESSED BY MISKAR PRESIDENT-DESIGNATE KAMEL REKIK, WHO DECLARES THAT CURRENT REVIEW BASED ON EVALUATION OF ENERGY OPTIONS AND MISKAR ECONOMICS WILL LEAD TO REAFFIRMATION OF DECISION TO PROCEED WITH PROJECT. HE NOTES CORRECTLY THAT, TO DATE, PRELIMINARY STAGES OF PROJECT IMPLEMENTATION ARE GOING AHEAD BRISKLY IN PARALLEL WITH NEW GOT LOOK AT ENERGY ALTERNATIVES FOR 10-YEAR NATIONAL ENERGY POLICY. CABINET TWO WEEKS AGO APPROVED IN PRINCIPLE FORMATION A NEW STATE ENTERPRISE FOR MISKAR AND PRECISE STRUCTURE NOW

BE DISCUSSED AMONG STEG, ETAP, AND ELF-AQUITAINE.
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ALSO, AS REKIK NOTES, WHILE MISKAR WILL BE MAJOR CALL ON TUNISIA'S INTERNATIONAL CREDIT, IT APPEARS TO FACE NO SERIOUS PROBLEMS OF FINANCING--SOME OF WHICH WOULD BE ADDITIONAL TO THAT AVAILABLE FOR OTHER PURPOSES. REPEATED STUDIES INDICATE THAT MISKAR HAS ADEQUATE GAS RESERVES TO BE FEASIBLE, THOUGH WITH AS YET LITTLE TO SPARE. TECHNICAL PROBLEMS WILL BE CHALLENGING, BUT ARE SUPERABLE.

4. REKIK SAID ONE KEY FACTOR IN "GO OR NO-GO" DECISION ON MISKAR WILL BE TEST OF COST ESTIMATED TO BE AFFORDED BY PRICES QUOTED IN BIDS SOON TO BE OPENED, PARTICULARLY THOSE FOR LAYING OF OFFSHORE PIPE TO BE OPENED MAY 21. (IN THIS CONNECTION HE HAS EXPRESSED CONCERN OVER ERRONEOUSLY INFLATED ESTIMATES CARRIED IN FOREIGN BUSINESS PRESS, WHICH APPARENTLY ARE BASED ON EARLY ESTIMATES OF TOTAL COST OF LENGTHIER PIPELINE THAN 100 KILOMETER ROUTE NOW ENVISAGED FROM MISKAR, ACROSS KERKENNA ISLANDS, TO SIDI MANSOUR.)

5. IN APRIL 27 CONVERSATION WITH ECONOMIC COUNSELOR, REKIK SAID MISKAR NOW CAN BE VIRTUALLY COUNT ON \$41 MILLION

FROM WORLD BANK(WHICH HAS COMPLETED BUT NOT SUBMITTED APPRAISAL REPORT) AND HAS EXCELLENT PROSPECTS FOR \$150 TO \$200 MILLION, AT ADVANTAGEOUS TERMS, FROM ARAB PETROLEUM INVESTMENT COMPANY. REKIK NOTED THAT MAXIMUM ANNUAL PRODUCTION WITH PRESENT 33 BILLION CUBIC METERS OF PROVEN RESERVES WOULD BE 3 BILLION CUBIC METERS IN 1985; ECONOMIC LIFE OF FIELD WITH DIMINISHING PRODUCTION CALCULATED AT 15 YEARS BUT IN FACT WOULD EXTEND TO 25 YEARS. MISKAR GROUP NOW ACTIVELY CONSIDERING FURTHER TEST DRILLING WITH VIEW OF ESTABLISHING LARGER RESERVES, THUS ENCREASING LIFE OF FIELD AND PERHAPS RAISING PEAK PRODUQTION TOWARD 4.5 BILLION CUBIC METER ANNUAL CAPACITY OF OFFSHORE PIPLINE.

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6. REKIK SAID TECHNICAL STUDIES OVER SEVERAL YEARS INDICAE SPECIAL PROBLEMS OF PROJECT CAN BE ECONOMICALLY OVERCOME. FOR INSTANCE, DEHYDRATION OF GAS AT PRODUCTION PLATFORM, PLUS USE OF SPECIAL STEELS FOR OFFSHORE PIPE, WOULD MINIMIZE RISKS TO PIPELINE OF CORROSIVE (CARBONIC AND SUFURIC) ACIDS BEING GENERATED FROM HYDROGEN SULFIDE IN GAS STREAM. HYDROGEN SUFIDE CONTENT OF NATURAL GAS WOULD THEN BE VIRTUALLY ELIMINATED (TO ONE GRAM PER 100 CUBIC METERS) AND CARBON DIOXIDE CONTENT OF NATURAL GAS REDUCED FROM 13 PERCENT

TO 2 PERCENT AT ONSHORE GAS TREATMENT PLANT.

7. IN RESPECT TO COST CALCUALTIONS FOR TENDERS ON MISKAR SERVICES, REKIK HAS AGAIN ADVISED THAT TENDER-ING FIMRS INCLCDE PROVISIONS FOR SOCIAL SECURITY AND SIMILAR COSTS, BUT EXPLICITLY EXCOUDE CONSIDERATION OF POSSIBLE TUNISIAN INCOME TAXEX. HE SAID THAT IF LATTER ULTIMATELY UNCLASSIFIED

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ARE APPLICABLE TO CONTRACTORS, MISKAR FIRM WILL HVE TO ADJUST COMPENSATION ACCORDINGLY.

8. CONCLUSION AND COMMENT; REKIK SAID HIS ADVICE TO FIRMS INTERESTED IN MISKAR WOULD BE TO PROCEED ESSEN-TIALLY AS IF POSITIVE FINAL DECISION HAD BEEN TAKEN. REPRESENTATIVES OF U.S. FIRMS RECENTLY IN TUNIS HAVE GENERALLY AGREED WITH THIS THESIS. THEY BELIEVE PRO-JECT WILL BE IMPLEMENTED, EITHER NOW OR IN FORESEEABLE FUTURE, AND FAILURE TO RESPOND SERIOUSLY TO CURRENT TENDERS WOULD MEAN LOSING ATTRACTIVE BUSINESS OPPOR-TUNITIES. EMBASSY ENDORSES THIS VIEW AND ADVOCATES CON-TINIUTION OF USDOC'S AGGRESSIVE DISSEMINATION OF TEN-DERS; WE ASSUME THAT U.S. FIRMS WILLBE PRUDENT AS TO ANY INVESTMENT OF THEIR RESOURCES NOT COVERED BY PAYMENT OR CONTRACTUAL GUARANTEES IN FACE OF ACKNOW-LEDGED UNCERTAINTIES. MULCAHY

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